

No.SEC/Enforcement/481/2006/1123
Dated: October 11, 2006

By Courier Service

Bengal Fine Ceramics Ltd. H.H Bhaban (2nd & 3rd Floor), New Eskaton Road, Dhaka-1000

Directors, Bengal Fine Ceramics Ltd., H.H Bhaban (2nd & 3rd Floor), New Eskaton Road, Dhaka-1000

Managing Director, Bengal Fine Ceramics Ltd., H.H Bhaban (2nd & 3rd Floor), New Eskaton Road, Dhaka-1000

Company Secretary, Bengal Fine Ceramics Ltd., H.H Bhaban (2nd & 3rd Floor), New Eskaton Road, Dhaka-1000

Sub: Non-compliance with securities related laws in connection with audited financial statements for the year ended on June 30, 2005: Warning

As per section 2(g) of the Securities and Exchange Ordinance, 1969 (ORDINANCE No. XVII OF 1969) Bengal Fine Ceramics Ltd. is an issuer (herein after referred to as issuer).

The statutory auditor of Bengal Fine Ceramics Ltd. (issuer) has issued qualified audit report on the financial statements for the year ended on June 30, 2005 wherefrom it appeared that the issuer has not accounted for deferred tax and current tax as per BAS-12, not disclosed related party transactions as per BAS-24, not complied with the provisions of BAS –16 concerning charging of depreciation on revalued amount of assets, not complied with the requirement of BAS-2 by not valuing stock of Mymensingh clay at average net selling price.

As a result of the above, the financial statements of Bengal Fine Ceramics Ltd. for the year ended on June 30, 2005 did not show true and fair view of the state of affairs of the company as well as the results of operation for that period;

Failure to furnish true and fair audited financial statements for the year ended on June 30, 2005 is a clear contravention of sub-rule (2) of rule 12 of the Securities and Exchange Rules, 1987.

The issuer's aforesaid non-compliance/violation appeared to be clear contravention of the provisions of the aforesaid Securities and Exchange Rules, 1987, as amended, and the Securities and Exchange Ordinance, 1969, attracting appropriate provisions of the Securities and Exchange Ordinance, 1969;

A show cause cum hearing notice No.SEC/Enforcement/481/2006/832, dated July 24, 2006 was issued to Bengal Fine Ceramics Limited for explaining the alleged contraventions and to provide to it an opportunity of being heard; the hearing was conducted on September 5, 2006.

Mr. Mowdud Khan, Managing Director and Mr. Farid Ahmed Deputy Manager (F&A) of Bangal Fine Ceramics Limited appeared at the hearing and submitted written explanation vide letter No. BFCL/ACCNT/SEC/2006-217 stating, among others, the following:

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- The issuer will give appropriate effect of untreated amount in course of finalization of the current years account of the company;
- The issuer adopted policy for not charging depreciation on the revalued amount of fixed asset as income tax authority does not allow depreciation on revalued amount of assets. Therefore this has not been considered while computing the taxable income of the issuer as this would go against requirement of BAS-16;
- The related parties transactions was duly examined and audited by the statutory auditor but due to oversight is was not disclosed in the financial statements;
- Since inception, the valuation of Mymensingh clay has been made at net realizable value considering the item as extra ordinary activity of the company, i.e selling of clay in not principal activity of the company. To maintain the consistent policy, no significant change will take place on operation of the enterprise.

The issuer apologised for the lapses along with an assurance to abide by the directive of the Commission in this respect.

The Commission, considering the submissions made by the issuer, has decided to dispose off the proceedings against the issuer and others concerned for the stated contravention by placing on record the Commission's dissatisfaction on the defaults made by the issuer, with a warning to ensure strict compliance of all securities related laws in future.

Please note that this disposal does not absolve the issuer and others concerned from their lawful responsibilities/obligations to the persons, if any, affected as a result of the your above said defaults.

For and on behalf of
the Securities and Exchange Commission

(Mansur Alam)
Executive Director

CC:
Chief Executive Officer, Dhaka Stock Exchange
Executive Director (R&D), SEC
Executive Director (CFD), SEC
Director (MIS), SEC
Chairman's Office, SEC